POLICY STATEMENT

A JOB FOR EVERYONE: A RESPONSE TO "UN"EMPLOYMENT POLICIES IN CANADA

SOCIAL PLANNING COUNCIL OF METROPOLITAN TORONTO

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OTHER SOCIAL PLANNING COUNCIL PUBLICATIONS ON THE UNEMPLOYMENT PROBLEM

Working Papers for Full Employment Series Titles:

1980	#1	Unemployment in Toronto: Hidden and Real
1980	#2	Layoffs and Unemployment: Job Retention as a Policy Issue
1980	#3	The Social Impacts of Layoffs: An Annotated Bibliography
1981	#4	Poverty and the Labour Market
1982	#5	Racial and Ethnic Discrimination in Employment
1982	#6	Job Growth by Industry in Toronto from 1941 to 1980

1978	The Problem is Jobs Not People: A Response to Proposed Changes to the Unemployment Insurance Benefits Act
1979	Social Questions for Public Policy: Proceedings of Urban Seminar Number 6
1981	Brief to the Ontario Select Committee on Plant Closings and Employee Adjustments
1981	Brief to the Parliamentary Task Force on Employment Opportunities for the Eighties
1981	"An Annotated Bibliography of Youth and Unemployment," Jobs and the Young Worker
1981	"Youth Unemployment in Metropolitan Toronto," Jobs and the Young Worker
1982	Jobs and the Toronto Economy (Proceedings of a symposium co-sponsored by the Urban Studies Program, York University

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0.0 INTRODUCTION

0.1 High unemployment in Canada is public policy. This is the only conclusion that can be reached from a review of federal labour market and employment policies. Two recent reports of the Department of Employment and Immigration, the Task Force Report on the Labour Market and the Task Force Report on Unemployment Insurance, are disturbing documents because of the way in which they justify high levels of unemployment as inevitable. The causes of high unemployment, according to these task force reports, are almost entirely related to problems in the labour force - the motivation of women and young people, labour force growth, and the lack of job ready skills among the unemployed. Following from this point of view, the solution to unemployment in Canada is to improve labour market adjustment programs such as skill training programs and to increase the motivation of the unemployed to take work by reducing their eligibility for unemployment insurance.

0.2 Despite considerable evidence to the contrary, federal policy makers conclude in these reports that unemployment is not creating hardship because it is concentrated among women and young people, and because of the ostensible generosity of the unemployment insurance program. They reinforce the myth that a choice has to be made between inflation and unemployment and that only *after* inflation has been lowered can unemployment go down. Even more disturbing is the optimistic belief expressed in these reports, and in the November 1981 Budget, that unemployment will solve itself in the 1980's with a reduction of labour force growth along with an anticipated upturn in the Canadian economy.

0.3 Federal policy makers are misleading Canadians. Unemployment hardship is a serious problem. Unemployment need not be traded off against inflation. There will not be an economic recovery of the kind that will provide for full employment in the 1980's unless there is a significant redirection of federal economic policy. The Task Force Reports on the Labour Market, and on Unemployment Insurance are elaborate efforts to justify high levels of unemployment in Canada. They serve as a camouflage for government's refusal to recognize and do something about the real causes of unemployment.

0.4 The Canadian economy is in serious trouble. The manufacturing sector is in decline from an already weak position. Plant closures and layoffs are widespread. Employment is eroding in the public sector as government reduces its commitment to the provision of necessary goods and services. Restrictive monetary and fiscal policies are intensifying an already fragile economic situation. These are the real targets for federal employment policy, yet thay have for the most part been ignored.

0.5 The Social Planning Council of Metropolitan Toronto believes that there are positive and constructive policies that can be implemented to achieve full employment, a condition we define as having a job vacancy for every unemployed person. But the achievement of full employment will require that governments take a more active role in economic planning and the management and direction of investment capital. This is the only way we can hope to develop a strong technologically sophisticated and internationally competitive manufacturing sector - the key to our economic health. It will also require an abandonment of government cutback strategies. Government spending at all levels is an important and legitimate source of new job creation.

0.6 Labour market policy changes are required. Reforms to the skill training system in Canada are necessary. But the changes to this system brought about by the new National Training Act will not solve the training problem. We need a comprehensive skill training program based on a grant/levy system so that effective on-the-job training is guaranteed. We need labour market policy changes that will eliminate discriminatory practices and unequal pay for work of equal value. And we need comprehensive legislation to prevent layoffs and plant closures.

0.7 The Task Force on Unemployment Insurance proposes a reduction in the protection accorded the unemployed by the Unemployment Insurance Program. This reduction in the social safety net is part of a long term strategy of the federal government to abandon its commitment and responsibility for full employment and transfer the costs of unemployment to the unemployed themselves. This is nothing short of punitive and is entirely inappropriate especially at this time of record levels of unemployment.

0.8 Many of the policy changes that are needed are the responsibility of the federal government. But the Ontario government and the Municipality of Metropolitan Toronto should also concentrate their efforts on developing alternative economic strategies to achieve full employment. The province of Ontario has been particularly reluctant to strengthen its legislation pertaining to layoffs and plant closures. Ultimately, if full employment is to be a reality in Canada all levels of government have to cooperate in the development of a co-ordinated economic and labour market strategy.

0.9 We believe that full employment is not just an idealistic vision that has little reality in today's difficult times. The achievement of full employment will require a significant redirection of federal, provincial and municipal thinking about the economy and what will make it work. We also believe that there are constructive and practical solutions to the problem and we have attempted to outline some of these. More detail on these policy areas can be found in a variety of Social Planning Council publications listed at the front of this report.

1.0 HOW SERIOUS IS UNEMPLOYMENT?

1.1 Unemployment in Canada has reached record levels. The sesonally adjusted official rate of unemployment in Canada was 10.9 percent in June of 1982.[1] Using both seasonally and non-seasonally adjusted actual data, there were 1.3 million people unemployed in that month. A similar high rate of unemployment was experienced in Ontario where 439,000 people were officially estimated to be looking for work. The seasonally adjusted rate of unemployment in Ontario was 9.0 percent. Metropolitan Toronto also has very large numbers of people who are jobless even by official estimates. In Metro Toronto the official actual rate of unemployment stood at 8.7 percent with a record 160,000 people unemployed in June this year. Although Metropolitan Toronto had a relatively lower rate of unemployment than most provinces, the actual number of unemployed people in Toronto was greater than most of the provinces except for Quebec, and of course Ontario. Metropolitan Toronto has 12.3 percent of all the official unemployment in Canada. (Table I).

1.2 These are the official figures published by Statistics Canada. They are not an accurate estimate on unemployment because they do not include large numbers of discouraged and underemployed workers. The official definition of unemployment used in the Labour Force Survey requires that a person be both out of work and actively seeking work to be counted as unemployed. This definition leaves out those people who, for a variety of reasons, have given up looking for work. Unofficial figures, also published by Statistics Canada, reveal

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[1] Statistics Canada, The Labour Force, Cat. 71-001 - June 1982

TABLE I

OFFICIAL UNEMPLOYMENT IN CANADA,
THE PROVINCES AND METROPOLITAN TORONTO
JUNE 1982

	Numbers (Actual)	Rates (Seasonally Adjusted)
Canada	1,303,000	10.9
Ontario	439,000	9.0
Quebec	431,000	14.3
C.M.A. Toronto	160,000	8.7 (actual)
British Columbia	157,000	12.4
Alberta	80,000	7.6
Nova Scotia	47,000	13.7
New Brunswick	41,000	14.0
Manitoba	38,000	8.2
Newfoundland	37,000	16.7
Saskatchewan	26,000	6.1
Prince Edward Island	6.000	13.6

Source: Statistics Canada, The Labour Force, Cat. 71-001
June 1982.

the extent of this "discouraged worker effect". In the March 1982 Labour Force Survey, 407,000 people stated that they had not looked for work, but were ready and available for work. This represented 33.1 percent of official unemployment for that month. This same proportion of the current month's unemployment represents 431,000 discouraged workers. Added on to the 1.3 official estimate, an estimate of real unemployment would rise to over 1.7 million.

1.3 Because of the considerable slack in the economy there is also some underemployment in the form of people working part-time because part-time work is all that they can find. In May of this year (the most recent data available at the time of this writing), Statistics Canada estimated that there were 344,000 people in Canada working part-time because they could not find full time work. This same proportion of June's unemployment reveals 360,000 underemployed workers. Added to the official estimate along with the discouraged workers and the real level of unemployment exceeds 2 million - the real unemployment rate in Canada for June is 16.6 percent.[2]

1.4 Ontario's real level of unemployment is 705,000 and the real unemployment rate in Ontario 14.8 percent. When discouraged workers and underemployed workers are added to the numbers of the official jobless in Toronto the real level of unemployment is 257,000 people and the real rate of unemployment becomes 13.7 percent of the labour force. (Table 2)

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2 Statistics Canada, The Labour Force, Cat. 71-001, August 1982, forthcoming.

TABLE 2

OFFICIAL AND REAL UNEMPLOYMENT IN CANADA,
ONTARIO, METROPOLITAN TORONTO
JUNE 1982

	Canada	Ontario	Toronto
Official Unemployment	1,303,000	439,000	160,000
Official Unemployment (rate unadjusted)	10.7	9.5	8.7
Discouraged Workers	431,000	145,000	53,000
Underemployed Workers	360,000	121,000	44,000
Real Unemployment	2,094,000	705,000	257,000
Real Unemployment Rate	16.6	14.8	13.7

Source: Statistics Canada, The Labour Force, Cat. 71 001, June 1982 and Social Planning Council calculations.

2.0 WHATEVER HAPPENED TO FULL EMPLOYMENT?

2.1 In 1945 Canada, along with the U.K., Australia and the U.S.A. committed themselves to the achievement of "full employment". This commitment was never realized in Canada, but in the decade of the 50's and the 60's, except for certain periods, Canada did experience relatively low levels of unemployment and rising levels of income and productivity. The 1970's saw unemployment jump from averages of 3 to 4 percent in the 1960's to rates averaging 6 to 7 percent in the early part of the decade and rates averaging 7 to 8 percent in the latter part of the decade. These same high figures in the decades of the 50's and 60's automatically triggered a variety of government responses to reduce unemployment. Canadian governments in the 1970's altered their priorities and they were prepared to tolerate higher levels of joblessness.

2.2 Full employment has never been precisely defined. Full employment has always meant a certain *acceptable* level of unemployment. In the 1960's the Economic Council of Canada considered 4 percent unemployment to be the full employment level in Canada and the measured rate of unemployment hovered just over this level. This was often referred to as the "natural rate" of unemployment. The 1970's saw measured unemployment creep upwards as levels of unemployment were particularly severe for the most recent entrants to the labour market - women and young people. During this period, the federal government abandoned whatever nominal commitment it had to the goal of full employment. Rather than confront the economic problems

that made it difficult to employ everyone needing work policy makers have concentrated their efforts on rationalizing how the tolerable level of unemployment could be adjusted upwards. Any reference to the goal of full employment has now been abandoned. Recently, the Economic Council of Canada has started using the term "equilibrium rate of unemployment" which refers to the idea that there is a level of unemployment below which any employment inducing policy initiatives would be too inflationary and the benefit of expanding jobs would be undermined by the cost of greater inflation. In 1979 when unemployment in Canada was averaging 7.5 percent, the Economic Council of Canada estimated that the full employment equilibrium rate of unemployment was 6 percent.[3] More recently, the Governor of the Bank of Canada has stated his belief that full employment in Canada means 7 percent unemployment or the equivalent of having over 800,000 people officially out of work.[4] Full employment in Canada has effectively been defined as the unemployment rate that exists at the time.

2.3 The Social Planning Council of Metropolitan Toronto is appalled by federal policy makers' efforts to re-define full employment targets upwards simply because employment and economic policies have failed to produce a sufficient number of jobs for all Canadians needing and wanting them. The federal government should at least listen to its own Parliamentary Task Force on Employment Opportunities for the Eighties:

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3 Economic Council of Canada, Two Cheers for the Eighties Ottawa, 1979, p.19.

4 Report of the Parliamentary Task Force on Employment Opp Opportunities in the 80's, Work for Tomorrow, House of Commons, 1981, p.59.

> "Canada needs an industrial strategy that will put people to work and a government determined to achieve this goal must set goals for lowering unemployment. This strategy should aim to achieve full employment, which the Task Force considers to be four percent unemployment. Government policy should be designed to meet this goal as soon as possible."[5]

But even four percent level of unemployment, admittedly a vast improvement over the present levels of 10 percent and over, is still arbitrary. The achievement of this goal would still leave almost half a million people officially unemployed and a further 250,000 people discouraged unemployed and underemployed. Full employment should be defined as a situation where there is at least one job vacancy for every unemployed person.

2.4 There are no reliable data on job vacancies in Canada at the present time. In 1978 at the peak level of unemployment for that year the Social Planning Council of Metropolitan Toronto (using data from the federal Job Vacancy Survey) recorded a ratio of 23.6 people unemployed to every job vacancy in Ontario.[6] Subsequently, the federal government cancelled the Job Vacancy Survey even though it was the only method available of estimating the number of available jobs in Canada. Apparently the evidence revealed by the Job Vacancy Survey was too embarrassing to federal policy makers because it revealed the seriousness of the job shortage problem.

2.5 The federal government has given up on any significant effort to reduce unemployment. High rates of unemployment are expected to continue well into the late

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5 ibid, p.61

6 Social Planning Council of Metropolitan Toronto, The Problem is Jobs not People, 1978, p.7

1980's. These high rates have been rationalized as acceptable by blaming the unemployed for their desperate situation. This is simply a camouflage for federal unwillingness to implement the kind of economic and labour market policy alternatives needed to prevent the loss of jobs and expand new job opportunities.

2.6 The abandonment of any commitment to a reduction of unemployment, let alone a commitment to full employment, has been demonstrated in the federal Budget of last November and more recently in the June 1982 Budget. The Minister of Finance asks the Canadian population to be tougher and more resilient.[7] What he means is that the unemployed will have to bear the burden of the recession. Both budgets have identified inflation as the first target of attack for the national economic strategy. Federal policy makers believe that only *after* inflation is brought down to six percent or less will the confidence of investors grow. The belief is that this will automatically lead to greater investment, increased productivity and a reduction in unemployment.

2.7 The Minister of Finance is relying upon business, labour and individual Canadians to "rally to greater discipline" in their income demands so that inflation will come down at long last.[8] The program consists of forced restraint for federal public sector employers while greater discipline is to be voluntary in the private sector. Wage and salary demands do constitute

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7 Canada Department of Finance, The Budget, June 1982, p.1.

8 ibid.

part of the inflationary process. However, these demands are framed within the context of an economic system where there are considerable wage and income inequalities. Moreover, as a recent study on inflation points out:

> "to convince workers to accept a lower wage than they would otherwise bargain for requires convincing them that the lower wage level was just or appropriate with respect to some broader social standard for determination of incomes. This contradicts one of the underlying features of a capitalist economy - namely, that no such neutral or objective standard of the appropriate level of incomes exists. It further contradicts the entire political rationale which underlies and justifies the existence of trade unions - to bargain collectively in order to increase the relative strength of wage earners and their relative shares in the total product of the firm or industry."[9]

2.8 Wage restraint is a program to freeze the existing distribution of incomes in society. This program is reinforced by policies that: keep interest rates high; stagnate economic development; and reduce public goods, services and transfer income going to Canadians by way of government expenditure restraint. The economic rationale for these policies is to restore investor confidence and to redistribute income to the rich and to corporations so that they can save and invest. The emphasis on shifting from consumption to savings is closely tied to the federal economic development strategy announced with the November 1981 Budget which projected capital requirements of $400 billion for spending on energy and resource based mega-projects over the next decade.

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[9] Warrian, P., Wolfe, D., Trade Unions and Inflation, Canadian Centre for Policy Alternatives, 1982

These "economic" strategies mask political purposes of the federal strategy - to reinforce existing social inequalities and to allow the poor, the unemployed, and wage earners to bear the brunt of the economic decline.

2.9 The federal strategy for economic recovery has many weaknesses. But it is particularly cynical in its plans for a reduction of unemployment. The November 1981 Budget expected to see unemployment rates averaging 7.8 percent from 1981 to 1987 if the trends present at that time continued. (Table 3) The June 1982 Budget did not make any projections of unemployment into the future. The most disturbing aspects of the November 1981 projections were the reasons given for an expected decline in unemployment. A slowly increasing employment growth rate over the next five years was forecast. However, this expected growth in employment was not the reason for the projected decrease in unemployment. Federal policy makers were relying on a decline in the rate of growth of the labour force from 2.8 percent a year in 1981 to 1.8 percent by 1986 and 1987, to keep unemployment rates down. This expected decline in labour force growth, and unemployment was based on the demographic assumption that the number of 15 year olds entering the workforce would decline. Thus, unemployment was expected to decline - not for reasons of public policy, but for reasons of demography. This is an employment policy of the most cynical kind.

2.10 It is noteworthy that the level of unemployment projected for 1981 was exceeded by .4 of a percentage point and the level projected for 1982 has already

TABLE 3

PROJECTED GROWTH OF EMPLOYMENT,
THE LABOUR FORCE, AND UNEMPLOYMENT RATES
1981 - 1987

	Employment (%)	Labour Force (%)	Unemployment Rate (%)
1981	3.1	2.8	7.2
1982	1.8	2.5	7.8
1983	1.7	2.2	8.3
1984	2.0	1.9	8.3
1985	2.1	1.9	8.0
1986	2.2	1.8	7.8
1987	2.3	1.8	7.3
Average 1981-1987	2.2	2.1	7.8

Source: Department of Finance Canada, The Current Economic Situation and Prospects for the Canadian Economy in the Short and Medium Term. November 1981, p.16.

been exceeded by more than 3 percentage points in June of this year. It is also worth noting that the projections of employment growth have been totally inaccurate with a real decline in jobs of more than the amount of the expected increase. Finally, the labour force participation rate of women may offset the corresponding decline of young people entering the work force so that even a demographic solution to unemployment is questionable.

2.11 Employment in Canada declined by 2.4 percent from annual average for 1981 to May 1982 (Table 4) The decline is even greater when measured against the peak level of employment for 1981 in August. From August 1981 to May 1982 Canada lost 320,000 jobs or 2.9 percent of the total employment.[10] This is the largest decline in employment in the past thirty years. Job loss in Ontario was less severe, - .7 percent from the average last year to May 1982, and in Toronto job loss to May of 1982 from the annual average of 1981 measured -.3 percent. The present recession is clearly having even more serious effects on the level of employment. And the federal economic strategy has suffered a serious blow to its plans for resource based economic development with the cancellation of two mega-projects in the West. This strategy seems now to be in a state of complete disarray. We can expect more stagnation and even higher levels of unemployment.

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10 Harris, C., "Where its Hurting the Most on the Job Front", Financial Post, June 12, 1982.

TABLE 4

EMPLOYMENT: CANADA, ONTARIO, TORONTO
1975 TO 1982

	CANADA		ONTARIO		TORONTO	
	# (000)*	Percentage Growth	# (000)	Percentage Growth	# (000)	Percentage Growth
1975	9,284		3,567		1,343	
1976	9,479	2.1	3,645	2.2	1,338	-.4
1977	9,648	1.8	3,714	1.9	1,357	1.4
1978	9,972	3.4	3,847	3.6	1,417	4.4
1979	10,369	4.0	4,008	4.2	1,505	6.2
1980	10,655	2.8	4,066	1.4	1,545	2.7
1981	10,933	2.6	4,186	3.0	1,662	7.6
1982 May***	10,669	-2.4	*4,154	-.7	**1,657	-.3

Source: Statistics Canada, The Labour Force, Cat. 71-001, various.

* Seasonally adjusted

** Not seasonally adjusted

*** Change from 1981 Annual Average to May 1982

3.0 THE CAUSES OF UNEMPLOYMENT

3.1 Despite federal efforts suggesting that it is not possible to reduce unemployment much below its present levels, there is growing evidence that unemployment in Canada is very closely tied to Canada's profound economic difficulties. Even before the present economic recession, the occurrence of simultaneously rising unemployment and inflation were phenomena that pervaded the economies of the western industrialized world. Their intensity, however, may be unique to Canada. Historically Canada has had one of the highest rates of growth when compared to its major trading partners. Real growth (Gross National Expenditure) for the period 1973 to 1980 averaged 3.3 percent and was exceeded only by Japan. The most recent federal budget now forecasts a real decline in growth of 2 percent for 1982, worse than any other major Organization for Economic Cooperation and Development (OECD) country.(Table 5)

3.2 But figures on real growth obscure the relative problems with Canada's economy and when they began. Part of the reason for the relatively strong rates of growth in Canada's G.N.E. throughout the 1970's was due to the strong growth in population and the labour force. When measured on a per capita basis Canada's economy started to decline much earlier than the overall figures would indicate. Between 1971 and 1976 Canada had the strongest per capita growth rate of most western industrial nations, the same as that of Japan. During the 1976 to 1981 period it declined to one of the lower per capita growth rates. (Table 6) Canada also has

had the highest rate of unemployment between 1973 and 1980 compared to these other countries and presently has the highest rate of joblessness except for the United Kingdom. (Table 5)

TABLE 5

REAL AND FORECAST RATES OF GROWTH (GROSS NATIONAL EXPENDITURES) AND UNEMPLOYMENT INTERNATIONAL COMPARISONS

	Real GDP/GNE (percent change)		Unemployment	
	1973-1980 (average)	1982 (forecast)	1973-80 (average)	1982 (latest month)
Canada	3.3	-2.0	7.0	10.2
U.S.	2.8	-1.6	6.4	9.5
U.K.	1.7	1.1	5.0	11.9
Germany	2.7	0.9	2.9	7.5
France	3.2	2.5	4.5	8.9
Italy	3.3	1.0	6.6	9.4
Japan	4.4	2.4	1.9	2.4

Source: Department of Finance, The Current Economic Situation and Prospects for the Canadian Economy in the Short and Medium Term. November 1981, and Department of Finance Budget Papers, June 1982.

TABLE 6

CHANGE IN PER CAPITA GROSS DOMESTIC PRODUCT 1967 - 1981, FOR SELECTED YEARS
(CONSTANT PRICES, 1979 = 100.0)

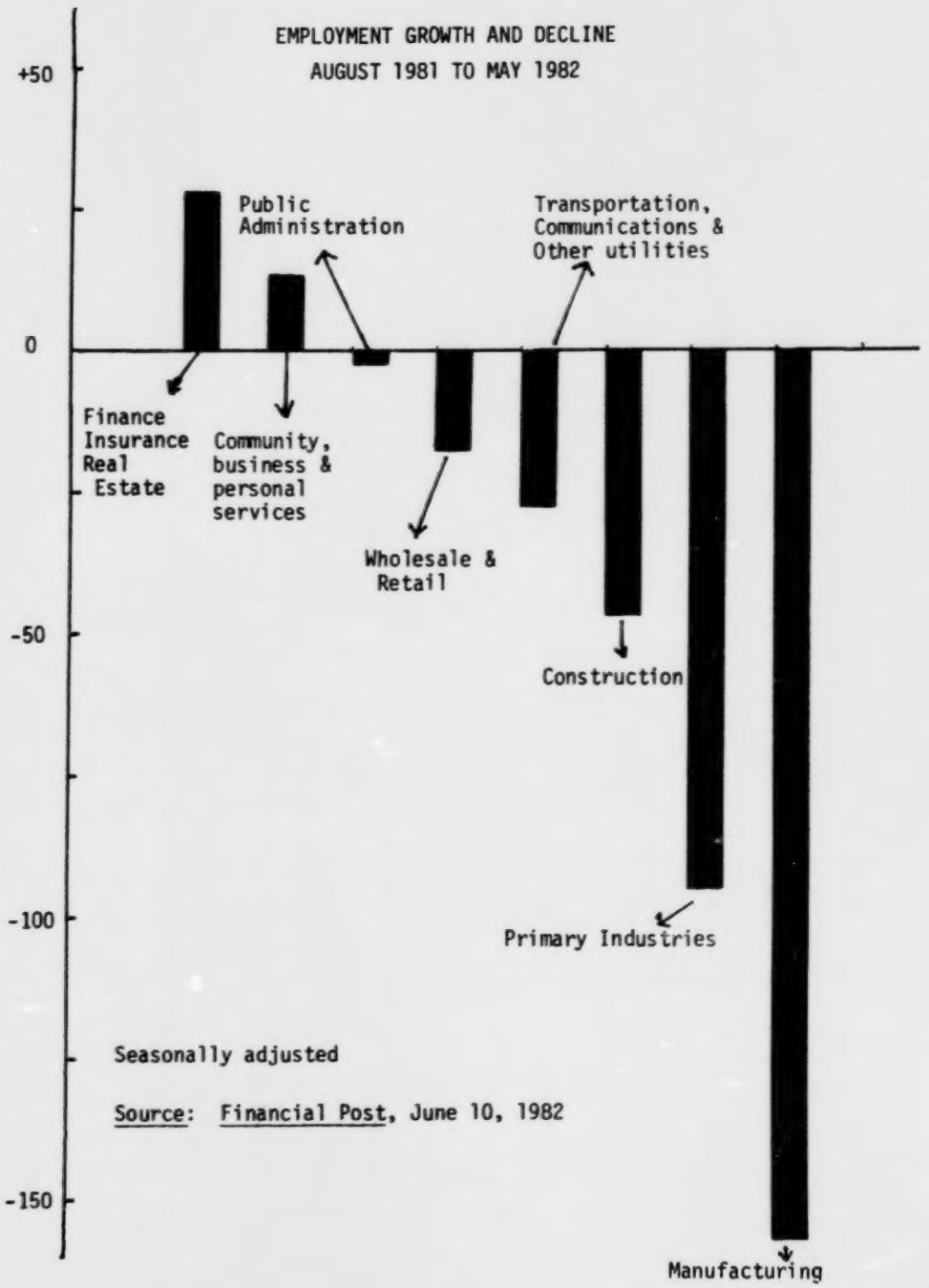
	1967	1971	1976	1981(3Q)****	1967 - 71	1971 - 76	1976 - 81***
Canada	86.82	100.0	118.40	127.92	15.4	18.4	8.0
U.S.A.	93.89	100.0	111.50	125.87	6.5	11.5	12.9
Japan	72.09	100.0	118.40	142.23	38.7	18.4	20.1
Australia	86.40	100.0	109.58	119.87	15.7	9.6	9.4
France	82.59	100.0	117.60	131.42	21.1	17.6	11.8
West Germany	86.72*	100.0	112.47	132.18	15.3*	12.5	17.5
Sweden	96.61**	100.0	112.82	116.52	3.5**	12.8	3.3
U.K.	90.95	100.0	111.64	116.70***	10.0	11.6	4.5***

Sources: Demographic Trends 1950 - 1990 (OECD: 1979)
Demographic Yearbook 1979, Special Issue: Historical Supplement (United National Dept. of International Economic and Social Affairs, 1979)
Quarterly National Accounts Bulletin, 1967 - 1981 (1980 - IV), OECD: 1981)

* Data available for 1968 rather than 1967.
** Data available for 1969 rather than 1967.
*** Used 1980 as data for 1981 is unreliable.
**** Population estimates for 1980 used in per capita calculation.

3.3 It is becoming evident that the most serious problems in the Canadian economy are related to weaknesses in the manufacturing, primary, and construction industries. Together these three industries accounted for a loss of 299,000 jobs in Canada between August 1981 and May 1982. (Figure I)

FIGURE I



3.4 Metropolitan Toronto is the urban centre of the manufacturing heartland of Canada - southern Ontario. As such many of the characteristic problems of the manufacturing sector in Canada are highly visible in Metropolitan Toronto. In a report on job growth patterns in Toronto, the Social Planning Council of Metropolitan Toronto identified disturbing patterns of change in the job structure of the Toronto area. The first and most important element of this change is the virtual halt in the growth of manufacturing and construction jobs in the Toronto area. During the period 1961 to 1971 jobs in the manufacturing, construction, and utilities sector increased by 111,000 or 37.6 percent. Between 1971 and 1980 the number of jobs in these sectors increased by 33,000 jobs or only 8.1 percent.[11] This slowdown was made worse by the actual loss of 2,521 jobs in metal and machinery-related industries and 1,487 jobs in the chemical and mineral related industries.

3.5 The second element of this change in the Toronto area was the abrupt decline of employment in the government and social services sector. After three decades of growth that averaged about 90 percent over each decade, employment growth in this sector declined to 18 percent in the decade 1971 and 1980.[12] The loss of employment-generating potential here has been related to public policies favouring cutbacks in government spending on health, education and welfare. And these declines in employment growth have occurred at a time when there are significant unmet needs for social services, housing, public transportation and other public goods and services.

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11 Social Planning Council of Metropolitan Toronto, "Job Growth by Industry", Working Papers for Full Employment, 1982.

12 ibid.

3.6 The third element of recent change in the Toronto job structure is the very rapid growth of jobs in the personal services sector: restaurants, hotels, and entertainment. This sector grew by 77 percent in the period 1971 to 1980. Strong growth rates were experienced in the distributive services sector (transportation and communication) and the producer services sector (services to business) also. The disturbing aspect of this transformation is not the shift to service employment per se. But the wages paid and hours worked in jobs in these sectors are on the average lower than jobs in the sectors suffering from growth slowdowns - manufacturing, and government services. An estimate of wage levels in these various industries shows that over 70 percent of employment growth between 1971 and 1980 took place in industries with low wages.[13]

3.7 The quality of job growth is also undermined by the rapid and disproportionate growth of part-time employment. In 1976 12.1 percent of all jobs in Ontario were part-time jobs while 18.8 percent of new job growth that year was in part-time jobs. By 1981, 14.5 percent of all jobs were part-time jobs and 29.4 percent of new jobs created were part-time jobs. (Table 7)

3.8 The number of people who want full time jobs but can only find part-time jobs is also growing in both Canada and Ontario. In 1975 there were 38,000 part-time workers in Ontario who were working part-time because they could only find part-time work; this

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13 ibid, p. 113.

TABLE 7

PART-TIME EMPLOYMENT GROWTH AS A PERCENT OF TOTAL EMPLOYMENT GROWTH AND PART-TIME EMPLOYMENT AS A PERCENT OF TOTAL EMPLOYMENT, CANADA AND ONTARIO 1976 - 1981

	CANADA		ONTARIO	
	Growth of P.T. Employment		Growth of P.T. Employment	
	As a % of Total Growth	As a % of Total Employment	As a % of Total Growth	As a % of Total Employment
1976	30.2	11.0	18.8	12.1
1977	48.5	11.7	49.3	12.8
1978	24.4	12.1	21.1	13.1
1979	23.4	12.5	21.0	13.8
1980	30.1	13.0	29.3	14.0
1981	32.0	13.5	29.4	14.5

Source: Statistics Canada, The Labour Force, Cat. 71-001, Various Years

represented 8.8 percent of all part-time workers in the province. By May 1982 the number of part-time workers restricted to part-time work but wanting full time work jumped to 118,000 and this group now makes up 19.1 percent of all part-time workers. (Table 8). This growth of underemployment reflects a continued erosion of the quality of jobs and numbers of hours of work available to Canadian workers.

Problems in the Manufacturing Sector

3.9 The pattern of decline in employment in the manufacturing sector is not new for Canada. Canada has always had a weak manufacturing base that has been dominated by foreign control and ownership. In a recession branch plants are often the weakest part of a multi-national corporation's global operations. When production is cut back branch plants are the first to suffer. Branch plant operations do not in general have diversified product lines nor do they have functions such as research and development that help expand employment opportunities.

3.10 This is further illustrated by the recent sharp increase in layoffs and plant closings. Sixty-eight percent of the 1.2 million people registered as officially unemployed lost their jobs or were laid off in April 1982. The proportion of people who have lost their jobs because of layoffs has risen sharply from 55.7 percent in 1980 to 68 percent in April of 1982.[14] There were 33 plant closings in Ontario registered by the Ministry of Labour in the first

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14 Statistics Canada, The Labour Force, Cat. 71-001, December 1980, April 1982.

TABLE 8

PART-TIME WORKERS WHO ARE WORKING PART-TIME BECAUSE THEY CAN ONLY FIND PART-TIME WORK, CANADA, ONTARIO, 1975 - 1981

	CANADA		ONTARIO	
	#	As a percent of all Part-time Workers	#	As a percent of all Part-time Workers
1975	105,000	11.0	38,000	8.8
1976	126,000	14.3	44,000	9.9
1977	162,000	14.3	63,000	13.2
1978	198,000	16.4	75,000	14.9
1979	223,000	17.1	88,000	15.9
1980	245,000	17.7	96,000	16.8
1981	267,000	18.1	98,000	16.2
1982(May)	344,000	22.8	118,000	19.1

Source: Statistics Canada, The Labour Force, Cat. 71-001, Various Years.

three months of 1982.[15] These represent only a portion of all plant closings because not all employers are required to give notice to the Ministry of Labour when they close their operations. More than half of these closings were in the Metro Toronto area, and plant closures and layoffs are increasing all across Canada at an alarming rate.

3.11 Canada's economy and its manufacturing sector in particular have long been dependent upon foreign investment. This dependence has been encouraged by public policy and has, during periods of growth, had some beneficial effects. But such a dependence can also have a devastating impact especially in a period of economic decline. Canada's gross capital formation - investment that potentially contributes to economic growth has been on a par with other countries; but that portion invested in machinery and equipment, mainly for manufacturing production, has been consistently much lower than most of our major trading partners since 1971. Only 39.4 percent of gross capital formation in Canada went towards machinery and equipment compared to over 50 percent for the United States, Japan, Australia and the U.K.[16] This lack of capital investment in new productive technology is intensifying the unemployment problem by reducing the level of productivity of Canadian industry in a period when re-industrialization and technological innovation is essential to allow Canadian industry to compete

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15 McNenly, P., "4,169 Ontario Workers Lost Their Jobs in March", Toronto Star, p.1, June 1, 1982.

16 Organization for Economic Cooperation and Development Quarterly National Accounts Bulletin, 1967-81 (1981-IV), (OECD:1981).

effectively in international markets. The result is that Canada's employment generating capacity has been significantly weakened and its employment base is declining.

3.12 Canada's economic problems are best illustrated by its recurrent international balance of payments deficits. Since 1974 Canada has experienced a large and repeated deficit on the current account of the balance of payments. The current account deficit stood at $7.4 billion for 1981.[17] Although Canada has consistently enjoyed a net surplus on its balance of merchandise trade, this has camouflaged a consistent deficit on its trade in manufactured goods ($21 billion in 1981 alone). The surplus on merchandise trade is the result of large net exports of raw materials and Canadian resources. Historically Canada has relied on primary industries for its export trade surplus and it has under-emphasized the importance of the secondary manufacturing sector. Canada imports large amounts of machinery for primary industry such as mining and oil drilling equipment and heavy equipment for construction. The result is that we import approximately 25 percent of all our manufactured goods, a very high ratio compared to most other industrialized nations. This manufacturing trade imbalance signals a profound weakness in Canadian economic potential. Manufacturing jobs tend to be more labour intensive than primary resource extraction jobs, and they have important multiplier effects by requiring extensive infrastructure development such as education, transporation, and related services, as well as a network of feeder and support industries that also generate employment in themselves.

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17 Statistics Canada Cat. 67-001, Quarterly Estimates of Canadian Balance of International Payments and Cat. 65-001, Summary of External Trade.

3.13 Clearly, a major cause of unemployment and of recent loss in employment is Canada's weak (and weakening) manufacturing sector. Any efforts to reduce unemployment will have to address this fundamental problem. Yet the program for economic recovery set out by the Minister of Finance in the November 1981 Budget and the more recent June 1982 Budget does little to deal with the problems of the manufacturing sector - ineffective capital management and the consequences of a branch plant economy.

Government Expenditure Restraint and Unemployment

3.14 Federal policies are currently influenced by so-called supply side and monetarist economic theories. These theories say that the problem both of deficiencies in investment and of high inflation are related to excessive government spending, over-burdened taxpayers and a large public debt. Following from the logic of the theory, governments need to reduce spending and the public debt and reduce taxes so that people can save, and with these savings, invest in the economy.

3.15 Government spending restraint has been adopted by both the federal and the Ontario provincial government. The federal government has removed federal revenue guarantees from transfers to the provinces, and reduced future increases in other federal transfers for health and post secondary education. Federal spending for social development programs has increased at less than the rate of inflation since 1978 and it is pro-

jected to increase at a rate lower than the overall federal budget for the next several years.[18]

3.16 Ontario has gone the furthest and been the most strident of all the provinces in its attack on social spending.[19] Between 1975 and 1979, Ontario spending for health and post-secondary education from its own revenues decreased by 24 percent in real terms. All other provinces increased spending by the same amount. The litany of cutbacks in Ontario is a long one. It has effected not only colleges and universities and hospitals, but also services and income to the poor, culture and recreation, primary and secondary education, residential facilities for seniors, mental health services, services for children, daycare, services to families, and nursing services.[20]

3.17 The federal government is using a mixture of policies that draw heavily from both supply side and monetarist economic theories. Patterns of spending restraint are consistent with the logic of these theories - the burden of restraint has to be born by the poorest segments of society so that corporations and the well-to-do can retain funds for investment. These theories are simply a justification for inequity. Their intended effects have not been realized where they have been tried most vigorously - Britain and in the United States. These policies - a bit of supply side economics, a bit of monetarism, will neither encourage

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18 Social Planning Council of Metropolitan Toronto, Directions for Social and Economic Development, 1982, p.11, Department of Finance Canada, The Budget, November 1981.

19 Social Planning Council of Metropolitan Toronto, Directions for Social and Economic Development, op.cit, pp. 12-14.

20 ibid.

investment nor cut inflation (or at least to the extent that one succeeds the other will fail).[21]

3.18 But the other, often ignored, effect of government expenditure restraint at both the federal and provincial level is on the level of employment. Employment growth in the 1950's and 1960's was dominated by public sector expansion. This was one of the ways Canada achieved relatively low levels of employment during that period.[22] This expansion was an essential response to a society requiring the provision of more protective, regulatory and public services. Government cutbacks at all levels since the mid 1970's have seriously eroded an important source of employment in the Canadian economy. There remain numerous public services that are in demand and social needs that go unmet. There is a need for an expansion of public initiatives in housing, day care, public transportation and other goods and services that can best be provided by government. Government expenditure restraint in Ontario has been particularly severe in social services, health, and

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21 Hewlage, Ann, "Supply Side and Monetarism" Working Papers, Vol. VII, No. 3, May/June 1981.

see also

-Judis, J., The Way the World Doesn't Work, Working Papers, Vol. VIII, No. 3, May/June 1981, pp 48-55 p.51.

-Lekachman, K., Greed is Not Enough: Reaganomics, Pantheon, 1982.

-Ingerman, S., Economic Policy, Economic Theory and the Democratic Left., Canadian Centre for Policy Alternatives, Ottawa, 1981.

22 Armstrong, H., "Unemployment: An Historical Perspective", Social Questions for Public Policy, Social Planning Council of Metropolitan Toronto, 1979, pp. 57-78.

education.[23] The adequate provision of these needed public services in Metro Toronto, Ontario and Canada should be an important element of a full employment policy.

3.19 Federal and provincial governments have also reduced their commitments to the use of direct job creation despite the continued need to provide jobs for hard to employ groups and despite evidence that direct job creation is a cost effective method of expanding employment opportunities.[24] The Federal Task Force on the Labour Market concluded:

> "In evaluating the cost of public sector job creation as compared to stimulating private employment through the use of general tax cuts or public expenditure, we have used OECD data and a study by Robert Haveman (1980) as well as our own estimates. All these confirm the lower cost of public sector job creation. The average person-year cost of job creation is approximately $8,000 by OECD estimates, $6,000 to $10,000 by Haveman and $7,500 by Task Force estimates. These may be compared to the average person-year cost of about $20,000 by OECD estimates for jobs created via general tax cuts or public expenditure increases, up to the $30,000 we have estimated through quotas and other forms of trade restrictions. In addition, direct job creation permits more effective targeting."[25]

3.20 The announcement of an added $200 million for direct job creation in the June 1982 Budget is welcome,[26] but its effects on unemployment will be minimal - at the most 25,000 jobs that will end when the program

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23 Social Planning Council of Metropolitan Toronto, Directions for Canada's Social and Economic Development, op.cit.

24 Employment and Immigration, Labour Market Development in the 1980's, 1981, p. 138.

25 ibid, p. 139

26 Department of Finance Canada, The Budget, 1982, p.8.

terminates. This form of direct job creation is simply an emergency response to buffer some of the effects of exceedingly high unemployment. It is not a chief component of a policy to eliminate unemployment altogether. A real commitment to reduce unemployment would require a massive increase in direct job creation spending. An additional expenditure of approximately one billion dollars is required for a reduction in unemployment by each one percentage point or 120,000 unemployed people.

Government Revenue Restraint

3.21 The pursuit of *government expenditure restraint* largely at the expense of the poor and low income segments of society has been accompanied by *government revenue restraint* also largely at the expense of the poor and those with lower incomes. Effective corporate tax rates have declined during the 1970's from 38 to 29 percent, creating a loss of government revenue in the magnitude of $4 billion.[27] Throughout the 1970's the use of tax expenditures (provisions in the tax system equivalent to spending programs) increased so that by 1979 the Minister of Finance estimated that the effective loss of government revenue from tax expenditures stood at $32 billion.[28] The November 1981 budget estimated that 29,000 tax filers with yearly incomes of over $100,000 in 1979 received an average benefit of over $46,000 in reduced federal tax. While the November

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27 Social Planning Council of Metropolitan Toronto, Directions for Social and Economic Development, op. cit. p.16.

28 Canada Department of Finance, Analysis of Federal Tax Expenditures for Individuals (Ottawa, November 1981), p.11.

1981 budget set out to reduce some of these expenditure provisions, at the same time the federal government has reduced the maximum marginal tax from 62 to 50 percent, thus retaining the largest tax breaks for high income earners. The most recent federal budget made this pattern of inequitable taxation even worse by removing part of the automatic indexation of the basic exemption. On the provincial level cutbacks in spending have been accompanied by the development of a similar tax regime where revenues to generate program commitments come increasingly from the most regressive forms of taxation; sales tax, employer-employee contributions to O.H.I.P and user fees. The objective of these revenue strategies is clear; they deliberately attempt to redistribute income and benefits from the poor to the rich and governments rationalize this perverse redistribution as "investment incentives".

3.22 The large federal budgetary deficit is considered to be the main impediment to increased government spending for capital investment and for social development spending and direct job creation. The Minister of Finance predicted that the federal deficit for this year will rise to almost $20 billion up from the $10.5 billion he predicted in November 1981.[29] This sudden mushrooming of the federal deficit is caused by the decline in revenues because of the decline of production, employment and income as a result of the recession. It is cause for concern; but it is also the direct result of the aforementioned weaknesses in the Canadian economy. Even before the present downturn the Federal government justified its restraint policies on the basis of the growing public debt. However

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29 Department of Finance Canada, The Budget, June 1982, p.3.

government sector deficits have not been serious in Canada. The federal deficit has to be balanced against the budgetary surpluses realized by provincial governments. When federal and provincial budgets are considered together the government sector deficit in Canada actually declined as a percentage of Gross National Product between 1975 and 1981 from -2.7 to -0.7.[30] Compared to other industrialized countries this is not onerous. In 1981 the combined government deficit in Canada measured against Gross National Product was the same as in the United States and much lower than Japan and Germany, countries with much better economic records than Canada. (Table 9) While there are real problems with the Federal government adopting a fiscally expansive position at this time this limitation is not the result of the size of the public debt per se. It is much more a problem related to the tax structure and the distribution of resources across the country.

3.23 Large government deficits are the result of the loss of tax revenue and the unwillingness of government to tax in order to pay for committed and needed programs. The solution to the problem of budgetary deficits will ultimately be found in the ability of the economy to achieve a level of production and employment that will generate sufficient tax revenues for needed expenditures. The immediate limits of spending in Canada are the willingness of governments to make commitments to tax reform so that revenues generated through taxation are *sufficient and equitable*. Thus, the creation of a larger federal

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30 Canadian Labour Congress, Economic Policy Statements, Document 20, National Convention, 1982.

TABLE 9

THE DEFICIT (-) OR SURPLUS (+)
OF ALL LEVELS OF GOVERNMENT MEASURED
AS A PERCENTAGE OF GROSS NATIONAL PRODUCT
1981

	Percentage of GNP
Canada	-0.7
U.S.	-0.7
Japan	-3.6
Germany	-4.4
France	-2.4
U.K.	-2.3

Source: O.E.C.D. Economic Outlook, December 1981 - reproduced in the Canadian Labour Congress, Economic Policy Statement, Document 20, National Convention, 1982.

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deficit for the purposes of direct job creation is not a problem; the problem is the method of generating the cash to do so.

3.24 These are the real problems that have to be addressed by all levels of government in an attempt to find solutions to the problem of unemployment. They are not, however, the issues being tackled by the Minister of Finance or the federal ministry responsible for employment and labour market policy - the Department of Employment and Immigration. Last year this department released two task force reports on labour market policy in Canada - *Labour Market Development in the 1980's*, the report of the Task Force on Labour

Market Development, and *Unemployment Insurance in the 80's*, the report of the Task Force on Unemployment Insurance. Taken together these two reports outline the federal government's views on the causes, nature and solutions to the problem of unemployment. The Minister of Employment and Immigration has repeatedly endorsed the findings of these reports and has embarked upon a program to implement their recommendations. This program forms the blueprint for federal labour market policy for the rest of this decade. We are disturbed by the way in which these reports have provided elaborate justifications for the existence of high rates of unemployment; and we are disturbed by their conclusions that federal labour market and employment policy cannot significantly reduce unemployment. Consistent with the overall federal approach to economic policy they are cynical; but their cynicism about lowering unemployment is veiled by an enthusiasm towards a variety of labour market policy initiatives that will have little impact upon unemployment, and will, in some cases, be more punitive towards the unemployed.

4.0 THE REPORT OF THE TASK FORCE ON LABOUR MARKET DEVELOPMENT

4.1 The Report of the Task Force on Labour Market Development reinforces the Department of Finance's belief that unemployment will remain high throughout the 1980's. Projections of unemployment for 1985 under three different assumptions ranged from 6.6 percent to 7.9 percent.[31] The report echoes the Minister of Finance's view that "our ability to lower unemployment rates will depend on our ability to achieve higher rates of productivity growth, lower rates of inflation, and more smoothly functioning labour markets."[32] It rejects the idea that unemployment may be due to demand deficiencies or job shortages in the economy and argues that the role of labour market policy should be to make labour markets function more smoothly.

4.2 Policies to improve the functioning of labour markets can be useful to both the unemployed and to the economy, but they should not be substituted for a vigorous strategy of job expansion. The labour market strategy of the Task Force on Labour Market Development consists of:

- improved labour market forecasting and intelligence work to improve the training and placement of workers in jobs;

- a reorganization of skill training programs in Canada and a shift of training resources away from post secondary and service sector training to industrial and technical training.

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31 Employment and Immigration Canada, Labour Market Development in the 1980's, 1981, p.48.

32 ibid.

- special programs to facilitate the entry of women and minorities into employment to meet expected future needs for skilled employment; and

- compensation programs to people who lose their jobs through plant closures.

4.3 The Task Force is much less enthusiastic about policies to expand the demand for labour or to prevent the loss of existing jobs. To do so would imply a greater role for government in planning investment decisions in the economy and in altering the decisions made by employers about their workforce. This bias against public involvement in economic decision-making requires that high rates of unemployment be reasoned away so that no significant change in federal economic policy is required.

Inflation and Unemployment

4.4 An important myth that is reinforced by the Task Force on Labour Market Development is that unemployment and inflation are direct and *unequivocal* policy trade offs. Citing evidence from the 1950's and the 1960's to show that there is an inverse relationship between inflation and unemployment, the Task Force suggests that governments can have low unemployment or low inflation, but they cannot have both. Because inflation is perceived to be the greater evil of the two, the Task Force argues that federal policy should aim to reduce inflation even if at the expense of greater unemployment.

4.5 There is a relationship between inflation and unemployment. But evidence from the 1970's does suggest that

the relationship is not as unequivocal as it might have been in earlier decades. Between 1971 and 1974, unemployment dropped from 6.2 percent to 5.3 percent and inflation rose from 2.9 percent to 10.9 percent. From 1976 to 1978 inflation and unemployment rose in tandem from 7.5 to 9.0 percent, and 7.1 to 8.4 percent respectively. (Table 10) A continued increase in inflation to 1981 was followed by only a slight decline in the rate of unemployment and recently unemployment has risen dramatically without a corresponding decline in inflation. It is no longer apparent that any movement in one of the indicators will have a direct and immediate effect on the other. The policy choice of a reduction in inflation, therefore, should not necessarily be fought by a policy of keeping unemployment high.

4.6 This conclusion is reinforced by a study of the Department of Finance itself:

> "If the unemployment rate increases from 8.5 percent to 11.5 percent, the estimated reduction in wage inflation is in the range of .22 to .89 percentage points or an average of .47 points."[33]
>
> "On the other hand, a one or two, or three percentage point reduction in the unemployment rate leads to average estimated increases in wages of .29, .70, and 1.33 percentage points respectively. It is clear, then, that the short term curve is very flat at unemployment rates exceeding 7.5 percent and still quite flat at unemployment rates in the 6.5 to 7.5 percent range."[34]

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33 Department of Finance Canada, Canada's Recent Inflation Experience, November, 1978, p.44.

34 ibid.

TABLE 10

UNEMPLOYMENT AND INFLATION - CANADA

	Unemployment Rate %	Inflation Rate %
1971	6.2	2.9
1972	6.2	4.8
1973	5.5	7.5
1974	5.3	10.9
1975	6.9	10.8
1976	7.1	7.5
1977	8.1	8.0
1978	8.4	9.0
1979	7.5	9.1
1980	7.5	10.1
1981	7.6	12.5

Source: Statistics Canada, The Labour Force, Cat 71-001, various years
Bank of Canada Review, May 1982.

In other words even policy makers within the Department of Finance recognize that unemployment and inflation are not clear policy trade-offs as they may have been in the past.

4.7 There are independent *institutional* factors that contribute to inflation. These include: the monopolistic and oligopolistic control of product markets by large firms that allow these firms to easily pass on large wage increases to consumers in the form of high prices; high interest rates and the perceived need to attract foreign investment away from high U.S. interest rates in an economy where capital moves freely between countries; the problem with the balance of trade structure in Canada where large imports of manufactured goods with inflated prices are necessary to sustain the Canadian market. These can be solved, but they require a commitment by government to a significantly different set of economic priorities. The federal government prefers a course of greater unemployment and increased inequality of wealth, power and economic decision-making.

4.8 The important point here is that inflation and unemployment are two phenomena that, while linked, also have very separate dynamics. As such they merit separate policies. Lowering unemployment will not in itself cause an increase in inflationary pressures. The federal government should, therefore, dissociate its effort to reduce inflation from the problem of unemployment. If it is truly interested in reducing inflation in a just and equitable manner it will address the institutional causes of inflation rather than creating more unemployment.

Unemployment and Hardship

4.9 One justification used by the Task Force on Labour Market Development for the lack of need to reduce levels of unemployment substantially is related to its perception of the hardship that unemployment creates. The Task Force argues.

> "...the perceived costs associated with historically high rates of unemployment, although they continue to be real and substantial in terms of foregone output, have tended in other aspects, to decline in recent years. In particular, it is clear that hardship associated with unemployment is today much less than it was even 15 years ago."[35]

4.10 This demonstrates the extent to which the Task Force and the federal government are willing to go to stretch the truth and make it conform with their view of the world. But it flies in the face of all the evidence that exists regarding the social effects of unemployment. Unemployment is an intensely stressful and frustrating experience. It would be difficult to open a newspaper today without encountering a story of anxiety, hardship, or tragedy linked in one way or another to unemployment.

4.11 Research in other countries has shown that unemployment is related to a rise in the numbers of recorded suicides, mental hospital admissions, crimes, cardiovascular diseases, and cirrhosis of the liver.[36] Studies of plant closing have found that unemployment

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35 Employment and Immigration, Labour Market Development in the 1980's, op.cit, p.15.

36 Brenner, H. "Estimating the Social Costs of National Economic Policy and Implications for Mental Health and Criminal Aggression" in Full Employment: Social Questions for Public Policy, Social Planning Council of Metropolitan Toronto, 1979.

is linked to a number of psychological and physiological problems.[37] Psychiatrists and psychological researchers have found that layoffs and unemployment are an important condition giving rise to increased anxiety, tension, pessimism, anger, depression and insomnia.[38] A report to the Medical Officer of Health from the Eastern Health Area of the Department of Health, Toronto identified unemployment and economic problems as a major threat to health in Toronto.[39] The Social Planning Council of Metropolitan Toronto has compiled an extensive bibliography on the social effects of unemployment.[40] We are convinced that the hardship associated with unemployment is on the increase.

4.12 Unemployment is a major cause of poverty. Our study "Poverty and the Labour Market" found that 92 percent of non-poor family unit heads worked a full year while only 44.3 percent of poor family unit heads worked a full year. The percentage of poor family units that had at least one person in the labour force and some unemployment was double that of non-poor family units with at least one person in the labour force and some unemployment. Our study found that length and frequency of unemploy-

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37 Cobb, S., Kasl, S. Termination: The Consequences of Job Loss, Washington: GPO. U.S. National Institute for Occupational Safety and Health, 1977.

38 Levine, S., The Social Effects of Youth Unemployment, Mimeo, University of Toronto, 1978.

39 Department of Health, Toronto, Programme Priorities Eastern Health Area, May 1982.

40 Social Planning Council of Metropolitan Toronto, "The Social Impacts of Layoffs", Working Papers for Full Employment #3, 1980.

ment were also factors influencing unemployment. The greater the length of unemployment, and the more frequently people experienced joblessness, the greater the likelihood they would be poor. Using the Social Planning Council of Metropolitan Toronto's definition of adequacy, we found 24 percent of all families and unattached individuals in Canada were poor.[41]

4.13 The growth of unemployment related poverty in Metro Toronto is highlighted by the growth in the numbers of people who are turning to municipal General Welfare Assistance because they have become unemployed and have no other means of support. The Department of Community Services and Housing of Metropolitan Toronto reports that for the past six months almost half of the individuals and families applying for welfare have done so because their unemployment insurance benefits have run out.[42] Employable recipients now make up almost half of the 42,419 municipal welfare recipients in Metro.[43] There is little doubt about the poverty of people on social assistance. The Social Planning Council of Metropolitan Toronto estimates that social assistance rates in Ontario are as much as 58 percent below poverty levels.[44] A single unemployed person on General

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41 Social Planning Council of Metropolitan Toronto, "Poverty and the Labour Market", Working Papers for Full Employment #4, p.25.

42 Baker, Alden. "Metro Welfare isn't adequate to feed families, agency says." Globe and Mail, June 1, 1982, p.3.

43 Baker, Alden. "19,866 workers on welfare: official", Globe & Mail, April 1982.

44 Social Planning Council of Metropolitan Toronto, "The Under-Funding of Social Assistance Programs in Ontario", Social Infopac, July 1982.

Welfare Assistance receives $266.00 a month and a family of four receives $593.00 a month. The Nutrition Services Division of the Community and Social Services Department of Metropolitan Toronto Believes that people on welfare are not even getting enough money for an adequate diet.[45]

4.14 Unemployment may also be contributing to the build-up of social tensions, destructive behaviour, and racism in Metropolitan Toronto. A recent report on youth unemployment warns of the destructive potential of high unemployment for disadvantaged youth.[46] The report warns that unemployed young people in Metropolitan Toronto feel frustrated and angry about their rejection by society and that this could lead to the kind of violent social behaviour displayed by unemployed young people in Britain in the summer of 1981.

4.15 The annual report of the Ontario Human Rights Commission suggests that there is a link between the increased incidence of racism, discrimination, and unemployment.

> "There is a growing tendency in a period of high unemployment and a tight economy for employers to select job applicants on the basis of physical attributes rather than merit. Here, attitudes are characterized by stereotyping and scapegoating members of non-white minority groups and blatant discriminatory conduct is the result.[47]

4.16 Unemployment creates considerable hardship for individuals. But the problems induced by unemployment do not stay with the unemployed individuals; they also effect the family, the community, and society. In the

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45 Baker, Alden. "Metro Welfare Isn't Adequate", op.cit.

46 Wollman, H. Youth: The Forgotten Generation, Metropolitan Toronto, 1982.

47 Ontario Human Rights Commission, Annual Report 1980/81, p.13.

family and the community tension and frustration rise and conflict occurs. The problems that emerge from these conflicts are inevitably social problems. Social problems require social intervention. The cost of social intervention is high and the willingness and ability of government to commit to social intervention is low. The role of government in this context has been to downplay and even to deny the seriousness of unemployment so as to justify its two-pronged strategy of high unemployment and government expenditure restraints.

Women and Young People in the Labour Force

4.17 One reason for high unemployment, according to the Task Force on Labour Market Development, is the increased numbers of women and young people in the labour force.

> "Although there is little direct evidence, it is reasonable to infer that rising relative unemployment rates of youth and adult women in the past fifteen years have been related to limits to the ability of the economy to absorb the extraordinarily large numbers of new entrants and re-entrants to the labour market with limited experience and, in many cases, with limited training." 48

The limited ability of a stagnating economy to absorb greater labour growth is turned into a problem with the people who need and want work. In a flexible and growing economy not only is labour force growth essential, but the income that new workers generate refuels the economy through the purchases that they make. This in turn generates economic growth.

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48 Employment and Immigration Canada, Labour Market Development in the 1980's, 1981, p.11.

The implication of the Task Force analysis is that if the training and experience of the unemployed were greater they would be able to get jobs. As long as there are more unemployed people than there are job vacancies, this will not occur.

4.18 It is revealing to note that the Task Force contradicts its conclusion about labour force growth just two pages later in the report, stating:

> "It has been argued for example, that the high and rising unemployment rate in recent years was "caused" by extremely rapid labour force growth...the Task Force does not accept this view. The relationship between labour force growth and unemployment is more complex than this would suggest. For example, during the 1950's the labour force grew very rapidly but the unemployment rate remained at very low levels."[49]

4.19 The labour force in Canada grew rapidly over the decade of the 70's. During those years when labour force growth in Canada was particularly strong, in 1973 and 1974, the rate of unemployment was falling; a declining labour force growth rate in the period 1975 to 1977 occurred with a rising rate of unemployment. (Table 11) And more recently the very high rates of unemployment in Canada over the past several months have led to an actual decline in the labour force. In Toronto a similar pattern exists. The most striking year, 1981, evidenced a phenomenal 7.3 percent increase in the labour force in Toronto, and a decline in the rate of unemployment. Labour force growth does not offer an adequate explanation of unemployment. Growth in the labour force does not in itself create unemployment. If there is a problem of absorbing a growing labour force, the problem rests with the economy and not with the increasing number of people seeking work.

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[49] ibid, p.ld.

TABLE II

LABOUR FORCE GROWTH AND UNEMPLOYMENT
CANADA AND TORONTO

	Labour Force Growth Rate		Unemployment Rate	
	Canada %	Toronto (CMA) %	Canada %	Toronto (CMA) %
1971	2.9	↑	6.2	↑
1972	3.0		6.2	
1973	4.2	N/A	5.3	N/A
1974	3.9	↓	5.3	↓
1975	3.5		6.9	
1976	2.3	.4	7.1	5.4
1977	2.8	2.5	8.1	6.6
1978	3.1	4.0	8.4	6.2
1979	3.0	4.9	7.3	5.0
1980	2.8	2.6	7.5	5.0
1981	2.6	7.3	7.6	4.9

Source: Statistics Canada, The Labour Force, Cat 71-001

Labour Market Policy Directions

4.20 Having concluded that the problem of unemployment is a labour market problem and not an economic problem, the Task Force on the Labour Market outlines a policy strategy designed to improve the functioning of labour markets. The major recommendations of the Task Force have been embodied in the new National Training Act - Bill C-115. This legislation sets out to revise the provision of labour market skill training in Canada by making the entry requirements for enrolment in training and retraining programs more flexible, improving access to training allowances and support systems for those who are training, encouraging a greater use of federal training dollars by employers and private institutions, and making funding available for the purchase of equipment and machinery for training.

4.21 There is little doubt about the need for a revised system of skill training in Canada. But the problem of skill training has been overstated and its effectiveness as a solution to the problem of unemployment will be minimal. The skill training system has been used as a scapegoat for deficient and ineffective federal economic and employment policies.

4.22 The Task Force on Labour Market Development argues for a shift of training resources away from low demand occupations to that of high demand occupations such as those in the technical and technological areas of work. Its plan for skill development through a revised skill training program has been tied to an

expectation of a high demand for skilled workers generated by the western mega-projects. The Minister of Employment and Immigration has estimated that Canada faces a potential shortfall of 9,000 skilled workers a year for the next five years.[50] This estimate has to be seriously questioned given the failure of the federal economic strategy and the deepening recession. Furthermore, 9,000 jobs would satisfy only a very small part of the almost 2 million people who are unemployed in Canada today. Even if skill training programs were operating effectively, the reduction in unemployment would be minimal.

4.23 Efforts to estimate skill shortages are based on surveys of employers. These have revealed significant perceived shortages in a number of occupational areas. But these measured shortages may not be as real or as extensive as we are led to believe. Shortages as measured by employer surveys are found not only in highly skilled occupations such as machine operators, and tool and die makers, but also in low skilled occupations such as clerical and sales (where there are also measured labour surpluses.)[51] Employers often report shortages of labour at less than prevailing wage rates. They also report occupational shortages when they are actually referring to a specific function or person.

4.24 Tool and die makers are a good case in point. Tool and die making work is an occupational area often referred to by employers as one where jobs go begging

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50 House of Commons Debates, Hansard, Monday June 14, 1982.

51 Betcherman, G. Meeting Skill Requirements, Economic Council of Canada, 1982.

despite high unemployment. However, a recent study found that although there was a shortage in the supply of tool and die makers in Ontario in the late 1970's, this shortage was confined to the small, lower-paying shops.[52] And as the unemployment situation worsened, labour shortages even in lower paying industries disappeared as workers who lost their higher paying jobs were absorbed.

4.25 There is a need to place emphasis on technical and technological training to meet future skill requirements. But this emphasis should not be made at the expense of occupations that have less of an apparent demand at this time. There continues to be a need for training at the post secondary level in social services, social science and the arts. Government cutbacks have restricted the employment potential of these occupations but this does not mean there is less of a need for them. Federal restrictions of funding for post secondary education are therefore inappropriate.

4.26 Skill training programs in Canada have not been entirely successful. Most training has been institutional rather than on-the-job training and this has served better to keep the unemployed occupied than as part of a rational and integrated plan for skill training and job placement. On-the-job training has often been used as a wage subsidy program by employers. The results have been a minimal form of training that is of little benefit to the employee or society. Industry has been negligent in the provision of skill training programs. Only 20% of major industries have

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52 Meltz, N., Labour Supply, Shortages, the Case of Tool and Die Makers, Ontario Economic Council, 1982.

established skill training or apprenticeship programs.[53] Employers have, for the most part, relied on importing skilled workers from abroad where on-the-job training and apprenticeship programs have a long history and are much more effective. The New National Training Act will not significantly alter this system. It will not require employers to bear financial responsibility for the training that will benefit them. The Minister of Employment and Immigration has refused to develop the necessary response to the problem of skill training in Canada - a grant/levy training system.

4.27 In our brief to the Parliamentary Task Force on Employment Opportunities we argued that a grant/levy system is essential to the development of an effective long range skill training program in Canada.[54] This would involve a levy on all industry to pay for training, and grants to those employers who engage in active and effective training programs. It would also include contributions from government to the grant program in recognition of the general societal benefits of skill training improvements. Our proposal included linking this program to the unemployment insurance program or to a severance pay plan so that layoff time training could be an integral component of the revised skill training program. Such a program would also have specific targets or goals for training women, minorities and the disabled in occupations from which they have been historically excluded.

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53 House of Commons Debates, Hansard, Monday June 14, 1982.

54 Social Planning Council of Metropolitan Toronto, Brief to the Parliamentary Task Force on Employment Opportunities for the 80's, January, 1981.

4.28 No skill training program can be effective without long term labour force planning and this can only be achieved through long term economic planning. Full employment is an essential framework for this effort. Until it is, skill training programs are likely to remain patchwork responses to an uncertain job market. The National Training Act does not alter this fundamental problem.

Labour Market Inequality

4.29 The Canadian Labour market is characterized by a high degree of segmentation and inequality.[55] Women earn half of what men earn on average, and the gap between male and female earnings is growing. Racial and ethnic minorities in Toronto are concentrated in low paying occupations and there is a considerable amount of discrimination against these groups.[56] Young people and the disabled face similar barriers in the job market. The Task Force on Labour Market development identified the need to improve employment opportunities for women and native people. There is also a need to add racial and ethnic minorities to this list. The commitment of the federal government to this goal does not appear strong. Some effort will apparently be made to encourage women and native people to enrol in non-traditional occupational

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55 Social Planning Council of Metropolitan Toronto, "Poverty and the Labour Market", Working Papers for Full Employment #4, Toronto, 1981.

56 Reitz, J., Calzavara, L., Dasko, D. Ethnic Inequality and Segregation in Jobs, Centre for Urban and Community Studies,

and

Social Planning Council of Metropolitan Toronto, "Racial and Ethnic Discrimination in Employment", Working Papers for Full Employment #5, Toronto, 1982.

skill training. The achievement of greater equality for women, minorities and the disabled in employment will require a comprehensive labour market strategy that is the responsibility of both the federal and provincial governments. This would include, in addition to training programs, mandatory affirmative action programs and legislation requiring equal pay for work of equal value.[57]

Layoffs and Plant Closures

4.30 The labour market strategy of the federal government is also deficient in its approach to the problem of layoffs and plant closures. Plant closures and layoffs are symptomatic of economic decline. The loss of jobs through a plant closure or a layoff undermines any effort to create jobs. There is a need to develop programs to prevent the loss of jobs by establishing *job retention* as a policy priority.

4.31 The Social Planning Council undertook a comprehensive study of the layoff and plant closure problem in 1980.[58] We found that many employers that close down plants or lay off workers do so for sound economic reasons. But there is also evidence that many plant closures occur for less than adequate reasons; and there is evidence that the practices of employers with respect to labour force planning to maximize employment are less than perfect. Many plant closures are not justifiable from an economic perspective. They are the product of head office decisions of multi-

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57 Social Planning Council of Metropolitan Toronto, Inequality at Work, 1982.

58 Social Planning Council of Metropolitan Toronto, "Layoffs and Unemployment, Job Retention as a Policy Issue", Working Papers for Full Employment #2, Toronto, 1982.

national corporations that are either out of touch with their branch plant operation, or are more concerned about maximizing returns elsewhere. Hence, we find the curious phenomenon of profitable plants being closed down. Plant closures are known to have devastating social and economic impacts upon the communities in which they occur. Nor are these costs fully borne by the corporation undertaking the shutdown. The high social costs of plant closures suggest the need for some form of public audit of the decision of employers to lay off workers. Society's right to have some control over decisions than can negatively affect it implies that a public body should have the right to prevent a closure where it is not deemed justified.

4.32 There is also evidence that layoffs both temporary and permanent, are often the product of poor labour force planning practices the result being that letting workers go is the quickest and easiest method of reducing costs. The Federal Commission of Inquiry into Redundancies and Layoffs concluded that many layoffs could be avoided if employers actively engaged in labour force planning such as restricted hiring activity, restricted overtime, early retirement, normal attrition, work load scheduling and other planning efforts that balance the needs of employers to keep costs down with the needs of workers for jobs.[59] The Federal government has done little to act on the recommendations of this Commission.

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59 Labour Canada, Report of the Commission of Inquiry into Redundancies and Layoffs, Ottawa 1981, p.233.

4.33 Primary responsibility for legislation pertaining to layoffs rests with the Ontario Government. The Social Planning Council of Metropolitan Toronto outlined a comprehensive policy for layoffs and plant closures in our brief to the Ontario Select Committee on Plant Closures and Employee Adjustment.[60] This proposed comprehensive policy has the following goals:

a) to prevent the occurrence of layoffs wherever possible;

b) to provide effective adjustment assistance to workers and communities where layoffs do occur, and

c) to assure that the social costs of layoffs are included in the total cost of labour to the employer.

The policy would include:

- a requirement for employers to submit their decision to lay off or close a plant to a "public audit" in order to prove that the closure or layoff is justified;

- improved advance notice requirements as an incentive to engage in labour force planning;

- mandatory severance pay as compensation for the loss of a major asset - a person's job;

- improved benefit protection so that the pensions and other benefits of laid-off workers are protected and portable;

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60 Social Planning Council of Metropolitan Toronto, Brief to the Select Committee on Plant Closures and Employee Adjustment, 1981.

- the requirement that an employer develop a "social plan" for the adjustment of the work-force through the re-location or retraining of workers where layoffs *are* unavoidable.

4.34 These are the components of a labour market strategy that is committed both to the achievement of full employment and to the achievement of greater equity in employment. This is the labour market policy agenda for federal and provincial governments in Canada. The Task Force on Labour Market Development has not provided the federal government with a policy solution to the problem of unemployment. Under the veil of credible policy analysis it serves as a political document that serves to justify the unwillingness of the federal government to tackle the problem of unemployment.

5.0 THE TASK FORCE ON UNEMPLOYMENT INSURANCE

Women and Young People

5.1 The elaborate federal effort to rationalize high unemployment is reinforced even more strongly in the report of the Task Force on Unemployment Insurance. According to this Task Force, high unemployment is mostly the result of poor work attachments and motivational problems exhibited by the unemployed:

> "....behavioural aspects of youth and women have contributed to a relative increase in unemployment from factors other than cyclical business conditions."[61]

The Task Force also sees unemployment as the result of mis-matches between skills and location of the labour force and the requirements and location of jobs:

> "Mis-matches between the skills or location of the labour market entrants and re-entrants and the jobs, and time spent between jobs seeking a better one have contributed to the secular rise in unemployment."[62]

5.2 The Task Force's analysis of the motivation of the unemployed is based more on myth than it is on fact. Current data from Statistics Canada do not verify the contention that young people have higher "quit rates" than people over 24. An analysis of reasons for unemployment reveals little difference in the reasons why young people leave work compared to people over 24 years old.

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61 Employment and Immigration Canada, Unemployment Insurance in the 1980's, 1981, p.13.

62 ibid.

Workers who are 15-24 years old lost their jobs or were laid off in almost the same proportions as people who are 25 years old and over.[63] (Table 12)

TABLE 12

	AGE	
	15-24 year old	25 years and over
Own Illness	2.2	4.2
Personal Responsibility	2.1	3.6
Lost Job or Laid-off	68.6	72.5
Other reasons (retired, not worked in last five years, never worked, etc.	24.9	19.7
TOTAL	100.0	100.0

Source: Statistics Canada, The Labour Force, Cat. #71-001, May 1982.

5.3 Even when "quit rates" for young people are higher, this cannot be interpreted as evidence of less willingness to work. Job turnover does not necessarily lead to higher unemployment if it leads to better, more secure jobs. In our study of youth unemployment in Metropolitan Toronto we found that the tendency to quit jobs was not related to higher unemployment. On the contrary:

> "those leaving their last job because of dissatisfaction with pay and working conditions, as well as those actually leaving for a better job, have higher work ratios, longer job durations and are less likely to be currently unemployed or have

63 For purposes of this analysis we have removed from the totals students who leave their jobs to return to school.

> experienced long term unemployment than those who are fired, laid-off or left for other reasons."[64]

Those young people who quit their jobs tend to have high aspirations and confidence in their ability to secure more desirable work. The fact is that job quitting does generally lead to young people securing higher paying jobs. In this sense a pattern of leaving jobs has to be regarded as contributing to longer term labour market stability and reduced unemployment.

5.4 Similar evidence exists to undermine the "low attachment" theory for women insofar as low attachment raises the rate of unemployment. Data on "flows into unemployment" reveal that women who remain in the labour force become unemployed by reason of job leaving. (Table 13) Men have considerably higher recorded rates of job loss than women, but the major difference between the work patterns of men and women is that women pull out of the labour market more and tend to re-enter after a period of time. This probably reflects their domestic and child rearing responsibilities which have the effect of forcing women into marginal work roles in the labour force. The assumed acceptability of higher rates of unemployment for women because of observed work patterns is a reflection of the sexism of federal policy makers. High rates of unemployment for women are as serious a problem as they are for any other group. The desire and willingness to work expressed through an active job search should be considered ample evidence of positive motivation to work.

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64 Johnson, L., Reitz, J. Youth Unemployment in Metropolitan Toronto, Social Planning Council of Metropolitan Toronto, September 1981, p.35.

TABLE 13

FLOWS INTO UNEMPLOYMENT, CANADA
MAY 1982

	Males	Females
Job Losers	65.8	43.6
Job Leavers	11.9	17.1
New Entrants into the Labour Market	4.3	5.5
Re-Entrants to the Labour Market	18.1	33.8
	100.0*	100.0*

Source: Statistics Canada, The Labour Force, Cat. 71-001, May 1982.

* Numbers may not add to 100% due to rounding.

Multi-Earner Families

5.5 Another explanation for high unemployment offered by the Task Force on Unemployment Insurance is the growth of multi-earner families. The argument suggests that because there is more than one earner in a family, when unemployment hits, it will still leave another earner to provide the pay cheque. Therefore the unemployed person will not have a strong motivation to seek work. This is a facile argument based on the belief that one income is adequate for a family and that a second income is essentially superfluous. It is an argument that implicitly assumes that secondary

income earners, most of whom are women, do not work as an integral part of the income earning function of the modern family. Women however, and in particular married women, work because they need to. A study of women and poverty by the National Council of Welfare concluded that poverty among families in Canada would increase by 51 percent if the earnings of women were deducted from total family income.[65] The study also found that women in families where the husbands' wages are low are the ones more likely to be in the labour force than women whose husbands' incomes are high. Therefore, the growth of multi-earner families offers no adequate explanation of high unemployment.

Unemployment Insurance

5.6 The most important reason given by the Task Force on Unemployment Insurance for an increase in unemployment over the past decade, and for continued high unemployment is the ostensible generosity of the unemployment insurance program. Recognizing that the unemployment insurance program has played an important role in maintaining income security for people who are unemployed, the Task Force's overriding concern is for the work incentive effects of unemployment insurance:

> "But this positive role can be contrasted with the potentially negative impact of U.I. provisions on work patterns. There is a conflict between paying benefits and the possibility that a generous U.I. program may be a disincentive to work. Ultimately, concern about the influence of U.I. on work patterns focuses on whether or not it results in increased unemployment."[66]

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65 National Council of Welfare, Women and Poverty, 1979.

66 Employment and Immigration Canada, Unemployment Insurance in the 1980's., op.cit., p.36.

The Task Force is convinced of the negative impact of unemployment insurance on work incentives despite their acknowledgement that the evidence is by no means clear that increased unemployment has been the result. Nor does it go to great lengths to justify its claim. It invokes popular myths and perceptions about unemployment insurance recipients and attempts to reinforce this belief by reference to a number of statistical studies.

5.7 The Task Force draws on evidence from studies of unemployment insurance in the early 1970's after significant changes to the unemployment insurance program were introduced in 1971. These changes boardened coverage to include 96 percent of the labour force and they did make benefits more generous. Eight weeks of insurable earnings were required to be entitled to unemployment benefits upon loss of a job. The several economic studies referred to claim to have demonstrated that unemployment rose anywhere from 0.5 percent to 1.3 percent due to the 1971 changes.[67] These studies concluded that unemployment rose because the 1971 changes introduced a large disincentive to work into the employment system. According to these studies workers were encouraged to quit their jobs and remain on unemployment insurance and people were artificially pulled into the labour force in order to qualify for unemployment insurance benefits.

5.8 The Task Force report conveniently neglects to make reference to other statistical studies that have

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67 Employment and Immigration, Unemployment Insurance in the 1980's, p. 37.

criticized these earlier ones and concluded that there was little or no effect on unemployment as a result of the 1971 changes.[68] Nor do they refer to the extensive debate that has occurred over the past decade with respect to the meaning and validity of these findings.[69] The Task Force's argument that unemployment insurance creates work disincentives has little evidence to support it. But more importantly, even if the findings of the early 1970's were convincing, subsequent changes to the unemployment insurance program would have reversed these effects. Even the Task Force acknowledges this:

> "These studies predate the important design changes since 1975 aimed at strengthening work incentives. The post 1975 changes could be expected to reverse the effects of the program on measured unemployment."[70]

5.9 Finally, the Task Force ignores the employment generating effects of the unemployment insurance program. The $5 billion dollars and more paid out in unemployment insurance annually has a major impact on the Canadian economy in putting money into people's pockets and increasing the demand for goods and services. In areas where unemployment is particularly high, unemployment insurance is the only way the

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68 Kaliski, S.F., "Real and Insurance Induced Unemployment in Canada", Canadian Journal of Economics 8, p.p. 600-3, Osberg, L. "Unemployment Insurance of Canada: A review of recent amendments", Canadian Public Policy, Spring 1979, pp. 223-35.

69 Hum, D. Unemployment Insurance and Work Effort, Issues, Evidence and Policy Directions, Ontario Economic Council, 1981.

70 Employment and Immigration, Unemployment Insurance in the 1980's, op.cit., p.37.

the community can survive. A study by Jump and Rea found that the strong stimulative effect of the 1971 program revisions increased overall employment in Canada in such a way as to cancel out any effective "inducement" of unemployment.[71]

5.10 The Task Force on Unemployment Insurance has also missed the significance of its own evidence in making its judgement about negative work incentives. It refers to a survey of unemployment insurance claims in 1976.[72] The survey revealed that two-thirds of U.I.C. recipients had U.I.C. as their main source of income while unemployed. A further 21 percent relied on borrowing from friends, living off savings or other means. This survey was conducted at a time when the unemployment insurance program had a benefit and eligibility structure that *was* considerably more generous than it is now. Benefits paid were calculated at 66 2/3 percent of past wages as of 1972; subsequent changes to the program in 1978 set benefit levels at 60% of past wages up to the maximum insurable earnings. This meant that the maximum weekly benefit amount in 1981 was $189 per week. These benefits are now by no means generous.

5.11 The average benefit paid in 1981 was lower than the Statistics Canada poverty line in Toronto for all family unit sizes.(Table 14) A single person received an average weekly benefit that was 16.6

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71 Jump, G.V., Rea, S.A., The Impact of the 1971 Unemployment Insurance Act on Work Incentives and the Aggregate Labour Market (Toronto Institute for Policy Analysis, University of Toronto, 1975.

72. Employment and Immigration Canada, Unemployment Insurance in the 1980's, op.cit., p.27.

TABLE 14

COMPARISONS OF AVERAGE AND MAXIMUM WEEKLY
UNEMPLOYMENT INSURANCE BENEFITS
TO STATISTICS CANADA'S POVERTY LINES
1981

Family Size	Poverty Lines Toronto $	Unemplymnt. Insurance Aver.Benefit $	Below(-) Above(+) Poverty	Unemplymnt Insurance Max.Benefit $	Below(-) Above(+) Poverty
1	155.00	129.32	-16.6	189.00	+21.9
2	205.00	129.32	-36.9	189.00	- 7.8
3	274.00	129.32	-52.8	189.00	-31.0
4	316.00	129.32	-59.1	189.00	-40.2
5	368.00	129.32	-64.9	189.00	-48.6
6	402.00	129.32	-67.8	189.00	-53.0
7 or more	442.00	129.32	-70.7	189.00	-57.2

Source: Statistics Canada, Income Distribution by Size, 1980, Revised Low Income Cut-offs.

Statistics Canada, Statistical Report on the Operation of Unemployment Insurance Act., Cat. #73-001, July - September, 1981.

percent below the poverty line; a family of four with one earner unemployed and collecting an average level of unemployment benefits had benefits that were 59.1 percent below the poverty line. This same family of four collecting the maximum benefits still had benefits that were 40.2 percent below poverty. The benefits paid to recipients of unemployment insurance are not overly generous. Measured against standards of poverty in Canada, they are miserly.

Proposed Changes to Unemployment Insurance

5.12 Following from its analysis, the Task Force on Unemployment Insurance makes several recommendations to change the unemployment insurance program. These proposals are supposed to create equity, a reduction of program complexity, and reduced work disincentives. The real goal though is to reduce all program users to a new minimum. The Task Force recommends:

- eliminating the special (higher) entrance requirements for new entrants, re-entrants, repeaters, and special benefits;

- establishing a new single entrance requirement of 15-20 weeks (up from the 10-14 weeks) based on the regional rate of unemployment;

- reducing the three phase benefit structure to a single phase based on weeks worked and the regional unemployment rate so that the duration of benefits is reduced, especially for claimants with shorter job attachments.

- increasing the penalties for people who quit their jobs without "just cause" from the present 6 week period;

- eliminating the "magic 10" provision for eligibility for maternity benefits (this is the requirement that the person be working for at least 10 weeks around the time of conception);

- eliminating the minimum insurability rules;

- disregarding all earnings on separation for premium and benefit purposes;

- raising the benefit repayment rate on high income claimants from 30 to 50 percent.

5.13 The federal government has taken these proposals very seriously and is intending to introduce legislation to reform the unemployment insurance program in accordance with them some time this year.[73] Apparently this legislation is being held up because of the present recessionary environment and the political inadvisability of changes in a period of exceedingly high unemployment. Nevertheless it is the intention of the federal government to proceed with a reform package in the future and the direction of the intended changes *will be* consistent with the general principles of the Task Force report, a tightening up of regulations, and a reduction in overall unemployment insurance

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73 Hon. Lloyd Axworthy, Hansard, May 28, 1982, p. 17875-6.

spending. Thus we find the real reasons for the Task Force's proposal changes to the unemployment insurance program - a desire to reduce the role of the federal government in making contributions to the U.I. program and to justify this reduction as sensible labour market policy.

5.14 This policy is part of its general strategy to reduce government spending on social programs; but it is also a reflection of the federal government's abandonment of responsibility for maintaining low levels of unemployment. In the early 1970's the unemployment insurance program was revised so that if unemployment exceeded 4 percent, the federal government would automatically assume payment responsibility for the extended benefits required for the maintenance of the long term unemployed. The principle accepted by government at that time was that society, along with employers and employees, had a responsibility to protect people who become unemployed. This principle was based on the recognition that government had a large and instrumental role in maintaining low levels of unemployment. Government, quite legitimately, saw that it had a responsibility for rising unemployment as it *chose* to pursue policies to counter inflation at the expense of the unemployed.

5.15 A comparison of unemployment insurance benefits paid per person-year of unemployment in Canada shows that from 1970 to 1973 there was a significant increase in the ratio of benefits paid per person-year of unemployment with the largest increase occurring between 1971 and 1972 as a

result of the 1971 changes. Since 1975, however, this ratio has declined significantly from a high of $3,012.10 to $1,934.74 in 1981 measured in 1971 constant dollars. (Table 15) This represents a 35 percent decline in the ratio of benefits paid to weeks of unemployment - a significant and determined effort by the federal government to erode the protection provided by U.I. to unemployed workers.

5.16 A similar erosion in the commitment of the federal government to full employment can be illustrated in an analysis of the proportion of U.I. program costs that it bears. As unemployment rose steadily throughout the 1970's the government's share of contributions to the unemployment insurance fund rose so that by 1975 government was paying 53.3 percent of the costs of unemployment insurance or $1.86 billion of the total $3.5 billion spent that year. Government contributions have declined dramatically since 1975 particularly after changes in 1978 that shifted a greater burden for financing the program to employer-employee contribution. By 1981, the federal government contributed only $0.99 billion or 18.5 percent of the total program costs. (Table 16) And the Task Force on Unemployment Insurance would have the government reduce its involvement even more - to fix the maximum government contribution at 15 percent. This represents one more step in the long term goal of the government to retreat entirely from its commitment to full employment. Federal policy makers have told the unemployed that they will have to provide their own financing for the failures of government policy.

TABLE 15

UNEMPLOYMENT INSURANCE REGULAR BENEFITS PAID PER PERSON

YEARS OF UNEMPLOYMENT 1970 to 1981

	(000's) Person/Years of Unemployment	Regular Benefits Paid	Benefits Paid Person-Year of Unemployment	1971 Constant Dollars
1970	495	$695,222	$1,404.49	1,444.56
1971	552	$890,594	$1,613.39	1,613.39
1972	562	$1,764,040	$3,138.86	2,995.10
1973	520	$1,850,928	$3,559.48	3,158.37
1974	521	$1,924,543	$3,693.94	2,955.15
1975	697	$2,907,716	$4,171.76	3,012.10
1976	736	$3,019,686	$4,102.83	2,755.43
1977	850	$3,485,080	$4,100.09	2.549.81
1978	911	$4,006,868	$4,398.32	2,510.46
1979	838	$3,431,216	$4,094.53	2,141.49
1980	867	$3,748,551	$4,323.59	2,052.99
1981[e]	898	$4,115,888	$4,583.39	1,934.74

Source: Canadian Statistical Review (various years) (Sec. 4).

TABLE 16

PROPORTION OF THE UNEMPLOYMENT INSURANCE
PROGRAM COSTS BORNE BY GOVERNMENT
1975 - 1980

	Percent	Actual Contribution ($ billion)
1975	53.3	1.86
1976	41.2	1.52
1977	45.8	1.98
1978	49.7	2.48
1979	34.2	1.50
1980	21.3	1.04
1981 (preliminary)	18.5	0.99

Source: Employment and Immigration, Unemployment Insurance in the 80's, 1981, p.89., and U.I. administrative data.

5.17 The result of federal policy will be to shift the burden of unemployment onto the unemployed, and to shift the financing of unemployment benefits in periods of high unemployment from progressive income tax financing to regressive payroll tax financing. The financing of unemployment insurance is regressive in at least two respects. The maximum insurable earnings at present is limited to $350 per week. This means that people who make incomes above this amount pay the same amount as people who are at the maximum level. The proporation of a person's income paid to finance unemployment insurance, therefore, declines as their income rises. In 1981 a person who earned $50,000 paid $294.84 into the U.I. fund, the same amount as a person who earned $20,000. (Table 17) This regressive aspect of program financing is made worse by the deductibility of employee payments to the fund. Deductions from income go up in value as income and marginal tax rates go up. A person who made $50,000 in 1981 saved $138.00 of taxes by deducting the $294.84 from their income while a person who earned $8,000 saved only $37.00 in taxes as a result of the same deduction. Deducting the tax savings from the contributions shows that earners of $200 a year pay $199.84 a year to secure the same benefits as a person making $50,000 who only pays $156.84 a year. When the net annual cost of $1.00 maximum weekly U.I. entitlement is calculated one can see just how regressive the U.I financing and benefit structure is. A person earning $5,000 pays $1.56 a year for a maximum weekly U.I. entitlement of $1.00 while a person making $50,000 pays $.83,

TABLE 17

NET BENEFITS OF UNEMPLOYMENT INSURANCE
BY LEVEL OF INCOME. (UNATTACHED INDIVIDUAL)
1981

Earned Income	Required U.I. Employee Contributions	Tax Savings From Deductions	Net. U.I. Contribu-tions	Maximum Weekly U.I. Entitlement	Net Annual Cost of Max. Weekly U.I. Entitlement
$ 5,000	90.00	0	90.00	57.69	1.56
8,000	144.00	37.00	107.00	92.31	1.16
10,000	180.00	50.00	130.00	115.38	1.13
12,000	216.00	61.00	155.00	138 46	1.12
15,000	270.00	83.00	187.00	173.08	1.08
20,000	294.84	95.00	199.84	189.00	1.06
25,000	294.84	103.00	191.84	189.00	1.02
30,000	294.84	123.00	171.84	189.00	.91
50,000	294.84	138.00	156.84	189.00	.83

Source: Social Planning Council Calculations.

(almost half) to secure a maximum weekly entitlement of $1.00 (Table 17) This kind of financing is contrary to any notion of equity, yet the Federal Task Force on Unemployment Insurance wants to reinforce this inequity by a greater reliance on employer/employee contribution without removing the maximum insurable earnings ceiling or the deductibility of contributions.

5.18 The administration of unemployment insurance has been arbitrary, punitive and a breach of the principles of social insurance. Throughout the 1970's the administrative policies of the Unemployment Insurance Commission were specifically designed to reduce the number of people on claim.[74] The discretionary powers of program managers have been focussed on requiring regular interviews and stricter job search requirements for perceived high risk groups such as claimants in "demand" occupations, single males aged 14-24, all married females, and ethnic claimants.[75] Such practices are totally unacceptable and, where they remain in operation, they are unjustified.

5.19 Because of the recent dramatic increase in unemployment insurance claims there seems to be a reduction of emphasis on these punitive and selective measures. Claimants are now burdened by problems of not being able to secure their benefits for longer than the normal number of weeks after they have filed their claim. In many cases workers

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74 Schwartzman, Victor, "How Dark is it in the Bowels of the Beast, Life Inside Unemployment Insurance" This Magazine, Vol. 15, No. 2., May/June 1981, pp.4-7.

75 ibid.

who are entitled to unemployment benefits have been forced to seek municipal welfare to support themselves and their families in the interim. This is the result of under-staffing and the inability of the existing staff to process the large increase in claims for unemployment insurance.

5.20 The Unemployment Insurance Commission continues in its refusal to provide a clear statement of the rights that claimants have with respect to job search. The result is that claimants continue to be subjected to arbitrary disentitlement even though they may be actively searching for a job.[76] The problem of arbitrary and punitive administrative procedures is one that is confusing to many of the unemployed who see unemployment insurance as a right to which they are entitled because of their contributions while working. These problems were not addressed by the Task Force on Unemployment Insurance, yet they remain a pervasive problem for the unemployed. The Task Force on Unemployment Insurance has not addressed these issues because, as far as it is concerned, it agrees with Unemployment Insurance Commission policy that many of the unemployed (especially women and young people) are work-shy and have to be forced to take work.

5.21 The Social Planning Council of Metropolitan Toronto opposed changes to the Unemployment Insurance Act in 1978.[77] These changes occurred despite con-

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76 Hasson, Rueben, The Cruel War, Social Security Abuse in Canada, Osgoode Hall Law School, York University, Mimeo, p.18.

77 Social Planning Council of Metropolitan Toronto, The Problem is Jobs Not People, 1978.

siderable opposition among groups representing the people most affected. They represented a significant reduction of the income security offered to the unemployed in Canada. The changes that were proposed at that time were based on the same assumptions as the current proposals. They are even more inappropriate and punitive now. There *are* problems in the unemployment insurance program. These have to do with the discretionary nature of the administration of the unemployment insurance program and with inequities in the financing of the unemployment insurance fund. But these problems were not addressed by the Task Force on Unemployment Insurance. The result is that the federal government is planning a further and significant erosion of an important source of income support for people who become unemployed.

5.22 Some changes proposed by the Task Force, particularly with respect to the gross inequities that pregnant women face in their eligibility for maternity benefits, can be supported. But the general thrust of the Task Force Report on Unemployment Insurance should be rejected. The Social Planning Council of Metropolitan Toronto has argued in the past and continues to believe that unemployment insurance is an important program contributing to the income continuity and well being of unemployed Canadians. Any further erosion would seriously undermine its income security goals. *The problem is jobs, not people,* and the focus of public policy should be on improving the employment prospects for the unemployed and on expanding job opportunities. Changes to the unemployment insurance program should restore the eligibility structure and benefit levels present before the 1978 changes.

6.0 PLANNING FOR FULL EMPLOYMENT

A Commitment to Full Employment

6.1 The Report of the Task Force on the Labour Market and the Report of the Task Force on Unemployment Insurance constitute federal policy makers' views on the causes, nature and solutions to the problem of unemployment. These reports of the Department of Employment and Immigration are irresponsible in their elaborate efforts to rationalize high levels of unemployment and in their willingness to tolerate the suffering that occurs as a result of unemployment. Policy recommendations in these reports inappropriately place emphasis on labour market policies that affect labour supply rather than economic policies to expand the demand for labour. *The federal government should immediately dissociate itself from the findings of these two task force reports. The federal government would be well advised if it acted on the conclusion of a third federal task force - The Report of the Parliamentary Task Force on Employment Opportunities. This Report of Parliament suggests that what Canada needs is a commitment to full employment and an industrial strategy to achieve that goal.*

6.2 Full employment is an urgent necessity. *Full employment should be defined as a situation where there is at least one job vacancy for every unemployed person. The federal government should restore its commitment to full employment as an urgent national priority.* This commitment would set out to achieve specific target rates of employment. *The achievement of these target rates will require a massive increase in the commitment of public funds for direct job creation.* In addition, the government of Ontario should modify its social and economic policy commitment to give priority to this full employment objective.

Economic Policy

6.3 Traditional stimulative measures such as generalized tax concessions, depreciation allowances, or reduced marginal tax rates will also not achieve the full employment goal by themselves. Alternative social and economic development strategies which embody the principle of government intervention and public control are required. *This means that both provincial and federal governments should initiate a process of national and regional investment planning and they should consider new means of intervening in the economy to expand employment opportunities.*

6.4 One of the major impediments to the achievement of full employment in Canada is the structural problem affecting the Canadian manufacturing sector. Canada suffers from repeated and severe balance of trade deficits on manufactured goods. We have to import large amounts of technology, machinery and manufactured goods both for private consumption and for the needs of industry. At the same time we export large amounts of unprocessed raw materials to balance these imports. Employment in manufacturing in Canada is in rapid decline. The recent budget of the federal government focussed much of its attention on improving the balance of trade deficit through the development of large resource extraction mega-projects. The weakness of this approach has already been demonstrated by the failure of the two major tar sands projects in Alberta. *The federal government, in conjunction with the provincial governments, should shift the priority in its economic development strategy toward the creation of a technologically innovative and internationally competitive manufacturing sector. This would require the adoption of sector specific and regionally based industrial development strategies based on the use of policy instruments including: investment planning, invest-*

ment co-ordination, joint public/private ventures, and the use of direct subsidies rather than tax incentives.

6.5 Many of the characteristic weaknesses of the manufacturing sector in Canada are visible in Metropolitan Toronto. Toronto has experienced a considerable loss in its manufacturing base over the past ten years. Plant closures and relocations continue to plague the Toronto economy. The loss of jobs in manufacturing has been significant and while there are new jobs being created in the service sector, these jobs are on the whole of poorer quality, lower pay, and only part time. *The Municipality of Metropolitan Toronto should place a high priority on the revival of the manufacturing sector in Toronto. Metropolitan Toronto should develop policies to encourage the maintenance and growth of manufacturing jobs in Metro along the lines suggested by the Labour Council of Metropolitan Toronto in its "Programme for the Economic Growth and Development of Metropolitan Toronto."* Further, it should develop an overall economic strategy that can be used to advocate changes in federal and provincial economic policy.

Government Spending

6.6 Present federal and provincial commitments to fiscal and monetary restraint, and social spending cutbacks are incompatible with the goal of full employment and social development. They are ill conceived efforts in a strategy to reduce inflation and restore economic growth. They will not work. They will simply intensify the problems of unemployment, poverty, inequality of incomes, and the lack of adequate social and public services. There is no justification for a policy that puts the problem of inflation before the problem of unemployment. *The Prime Minister*

should act on his comments recently at the Versailles summit. He said that the fight against inflation at the expense of unemployment has been a mistake and he should force the Minister of Finance to separate the struggle against inflation from the struggle against unemployment.

6.7 *Direct government job creation is a cost effective method of expanding employment opportunities, particularly for disadvantaged groups, compared to other more general stimulative and indirect spending measures.* In addition there are numerous goods and services required by Canadians that can best be provided through direct government spending. These include: an expansion of public transportation; an increase in low and moderate priced housing; and a range of social and community services such as day care and mental health services. *The Ontario government should reverse its commitment to social spending restraint, and embark on an expansion of needed services as part of a direct job creation program to achieve full employment.*

Labour Market Policy

6.8 Although the achievement of full employment in Canada will require that the federal government and the Ontario government put priority on policies to expand the number of jobs through a re-orientation of economic policy, labour market policy also requires change. The present commitment to a revised skill training program in Canada, The National Training Act (Bill C-115), is the centrepiece of federal labour market policy. Its revisions to skill training programs are sadly deficient and *the federal government has refused to adopt the needed program framework for skill training in Canada, a grant-levy system.* The need for a grant/levy system to finance and operate skill training

programs emerges because industry has been negligent in the development of on-the-job skill training programs both for new employees and for laid off workers. Although a grant/levy system would improve skill training opportunities, the effects of such a program will be limited without a commitment to an economic strategy that would allow for the long term planning of skill training to meet projected skill needs.

6.9 There is a need for improved labour market information and forecasting of skill requirements for the future. *The federal government should reinstate a national job vacancy survey that would produce reliable estimates of the quantity and nature of job openings in Canada.* A better matching of unemployed workers to job vacancies would be facilitated if the national employment agency and its employment offices has a listing of *all* job vacancies.

6.10 Each month workers lose their jobs because of plant closures and layoffs. Metropolitan Toronto has been particularly hard hit. While many of these job losses can be attributed to the process of economic decline and recession, *governments should not assume that all plant closures and layoffs are inevitable.* Legislation governing layoffs is based on the assumption that all plant closures and layoffs are a last resort measure taken by employers to reduce costs. This is not so. There are many examples of companies, both foreign and Canadian owned, where overall corporate interests have dictated the closure of profitable plants or an intentional deterioration of plant facilities in order to precipitate a plant closure. At the same time, as the Federal Commission of Inquiries into Redundancies and Layoffs concluded, Canadian employers could avoid a substantial portion of potential layoffs if they used effective man-

power planning at the level of the firm. One reason for this is the weakness of legislation pertaining to layoffs and plant closures. Most European nations have developed policies to prevent layoffs as an important component of their employment policy. While the federal government has some jurisdiction over federally regulated industries, the bulk of the responsibility lies with the Ontario provincial government. *The provincial government should adopt more stringent procedures for employers to follow in order to prevent the occurrence of layoffs. This would entail the development of a comprehensive policy on layoffs such as the one we have outlined in our brief to the Ontario Select Committee on Plant Closings and Employee Adjustment.* It would include:

- requirements for employers to submit their decision to lay off or close a plant to a "public audit" in order to prove justification;

- improved advance notice requirements as an incentive to engage in labour force planning;

- mandatory severance pay as compensation for loss of a major asset - a person's job;

- improved benefit protection so that laid off workers have their pensions and other benefits protected and portable;

- a joint government-employer responsibility to develop a "social plan" for the adjustment of the work force through a relocation or retraining where layoffs *are* unavoidable.

6.11 Discrimination and inequality in the labour market are issues that were only briefly touched on by the federal Task Force on the Labour Market. Yet they remain among the most serious problems faced by workers today. Women, young people, the disabled, and racial and ethnic minorities are often subjected to mistreatment and to exclusionary practices by employers. These difficulties are intensified in periods of high unemployment. Full employment would mean not only a job for everyone, but also substantive equality in the employment system. Systems of recruitment, selection and promotion need to be monitored very closely by federal and provincial human rights bodies. Stringent guidelines need to be developed to prevent employers from knowingly or unknowingly excluding these groups. *Mandatory affirmative action is required to counter systemic discrimination and to compensate excluded groups for past discriminatory practices, and equal pay for work of equal value legislation is necessary to remove the artificial differences between the wages the men and women make because of job segregation.*

Unemployment Insurance

6.12 The Unemployment Insurance Program is a vital income security program for people who become unemployed. The recommendations of the Task Force on Unemployment Insurance reflect a negative and punitive attitude towards the unemployed. They are based on the assumption that the jobless do not want to work. This is part of a consistent effort by the federal government since 1974 to erode the important protection provided by unemployment insurance. The federal government should act only on those recommendations of the task force that will significantly improve benefits and eligibility such as those pertaining to

maternity. All other proposals to raise eligibility requirements or to penalize job quitters are inappropriate and should be rejected. *The federal government should work towards re-establishing the eligibility criteria and the benefit levels for unemployment insurance that existed prior to the changes that were made in 1978 when benefit levels were reduced and variable entrance criteria were adopted. The federal government should also focus its attention on the real problems in the Unemployment Insurance Program: the punitive and arbitrary practices used by the administration of Unemployment Insurance to deny claimants benefits to which they are entitled, and the regressive features of the financing structure of the program. It should publish a clear statement of the rights of unemployment insurance claimants, as well as their obligations, and it should make public its manual of administrative regulations in each region. It should also remove the regressive features of employer-employee financing by changing the deductibility provisions and the maximum weekly earnings limit on contributions.*